

“Blue Ribbon” Task Force Committee
May 10, 2011
7:30 a.m. – 9:00 a.m.

MEETING NOTES

7:30 a.m. Mayor Dennis Johnson

a. Introduction

Mayor Johnson introduced City Councilmembers Tony Veeder, Mark Kulaas, Jim Bailey, Don Gurnard and Carolyn Case. He welcomed the group and gave a brief overview of the purpose of the meeting. This group was brought together at the suggestion of the City Council to form a special task force to look at the short-term and long-term budget impacts to the City of Wenatchee in light of the Town Toyota Center financing issues, and to provide recommendations for the future.

7:35 a.m. Executive Services Director Allison Williams

- a. Budget Review
- b. Review Materials Sent

Ms. Williams provided an informational power point presentation of the current City of Wenatchee budget overview, going over general fund expenditure history, 2011 general fund revenue sources, 2011 adopted general fund expenditures, trends in revenue, population and employees, overall assessed valuation and annual growth percentages, and incorporation of the TTC payment into the general fund of the City.

Question (Ken Martin): What rate is being used for bond payment estimates?
Answer: The rate is between 3% and 6.5%.

Question (Jim Brown): Can the PFD get bonds without a Contingent Loan Agreement?
Answer: No, the PFD cannot get bonds without the Contingent Loan Agreement.

7:45 a.m. Councilmember Tony Veeder

- a. Short-term Revenue
- b. Long-term Revenue

Councilmember Veeder went over the spreadsheet provided to the group of short-term and long-term revenue scenarios.

A question was asked as to what does the City prefer? At this time the City is not giving direction as to what it prefers, it needs input from the public.

Question (Frank Kuntz): Regarding the Transportation Benefit District, how do we place those dollars into the general fund?

The Mayor stated that the legislation has recently been loosened enabling the City to divert dollars from the street fund back to the general fund if needed. In addition, it provides a source of revenue for streets that would not be dependent on the city general fund to support it.

Question (Ron Berschauer): There is confusion as to who owns the TTC. Is the City making payments for something we won't ever own? Will the City ever own the TTC?

The Mayor answered that if the PFD cannot pay their debt then they come to the City to "borrow" the dollars to pay through the Contingent Loan Agreement. Without a revenue source the PFD won't be able to pay. The "loan" carries on the books. If the PFD creates a revenue source payments back to the City will begin. However, if that never occurs, property will eventually need to be converted to City ownership, but that will not occur for at least 20 years due to the sales tax rebate term that benefits the PFD.

Question (Ron Berschauer): How can we change the language to read that "the City is not making payments, but rather making a loan"?

Answer (Mayor Johnson): That is something that the City's and PFD's legal counsel are currently researching.

Question (Harold Schroeder): Is the PFD a separate entity from the City? Can it be sold? Can it be traded?

Answer (Mayor Johnson): No, it cannot be sold or traded. It is a public agency (separate from the City), and is owned by the taxpayers in 9 jurisdictions (which are: City of Wenatchee, City of East Wenatchee, Chelan County, Douglas County, City of Entiat, City of Chelan, City of Waterville, City of Rock Island, City of Cashmere).

Harold Schroeder stated that the PFD needed to generate revenue such as a gambling casino. A gambling casino would make for a tourist destination and provide revenue.

Councilmember Veeder indicated that the Council is working with the PFD to assist in finding a revenue stream. They won't rule out a casino.

Mayor Johnson stated the PFD is determined to create a revenue source.

Question (Heidi Myers): Have other entities signed a Contingent Loan Agreement?

Answer (Mayor Johnson): No, only the City of Wenatchee.

Question (Mike Noyd): With multiple entities, what management control does the City of Wenatchee have? What employee is in charge?

Answer (Mayor Johnson): The City's oversight is through the finance department. We have financial employees at the Town Toyota Center.

Question (Beth Stipe): Is the PFD charged for the employee?

Answer (Mayor Johnson): Yes.

Question (Mike Noyd): If the City of Wenatchee is making these payments what control does the City have for the destiny of the facility?

Answer (Mayor Johnson): The City will include "deliverables, expectations, responsibilities" in the Contingent Loan Agreement, or if needed, in an Interlocal Agreement.

Question (Jim Brown): If the payments are considered "loan" and not "debt" has legal counsel looked at the issues regarding "debt"?

Answer (Mayor Johnson): Those issues are currently being considered by legal counsel. The City Council will enter into the Contingent Loan Agreement as a responsibility. A possible court action may be forthcoming for validation to determine if the payments are considered a "loan" or "debt".

Question (Ken Martin): Who are the other entities and what obligation do they have?

Answer (Mayor Johnson): There are 9 entities which make up the Public Facilities District: City of Wenatchee, City of East Wenatchee, Chelan County, Douglas County, City of Chelan, City of Entiat, Town of Waterville, Town of Rock Island and City of Cashmere. Only one entity, City of Wenatchee, currently has a financial obligation to the PFD through the Contingent Loan Agreement.

Question (Bart Clennon): Can we ask the other entities about it?

Answer (Mayor Johnson): We hope to have some resolve to this question on Thursday.

Question (Frank Kuntz): What happens if the Court determines that the City of Wenatchee's debt is over capacity?

Answer (Mayor Johnson): That is why we are looking at other alternatives at this time. There may be legal ramifications.

Question (Bart Clennon): What are the 3-5 year budget projections? It is important to pick a path we can live with and take a look at the dollars now and for the future.

Answer (Mayor Johnson): That is why we are taking a look at the short-term (2012-2013) and long-term (2013 and beyond) budgeting. The PFD needs a revenue source to exist. For the short-term the City is facing reductions in spending.

Rufus Woods: Only one number has been provided to the group. He would like to see a range of numbers and the risk factors, the City needs to look at the ranges. He said a graduated payment schedule only softens the blow early, but larger and larger payments for budgeting will continue to increase – some hard decisions will need to be made for revenue streams.

Mayor Johnson stated that the figures came from their bond counsel and underwriters. The numbers were provided as best case scenarios.

Tony Veeder indicated that is a reason why the Council needs to look at the priorities of government, that is what is important to the operation of the City.

Bart Clennon had a concern regarding the bonding capacity for water/sewer bonds. The Mayor indicated those are considered completely separate. Clennon was concerned that the City have enough dollars for long-term projects. Ms. Williams indicated there is a capital facilities plan that is used in the budgeting process.

Question (Steve Jacobs): What is the current bond rating for the City?

Answer (Mayor Johnson): AA (water/sewer)

The PFD meets on May 23 with Standard & Poors for their current rating. Finance Director Mark Calhoun stated that the PFD is able to issue bonds based on the City's strength. The PFD currently has an A rating. *(As of 5/11/2011 the meeting has been postponed).*

8:15 a.m. Councilmember Mark Kulaas

- a. Short-term Spending
- b. Long-term Spending

Councilmember Mark Kulaas briefly went over the expenditures of the City. Law enforcement, public safety and fire are the largest expenditures of the City. There are functioning services (i.e. City Attorney/City Engineer); and some State required expenditures: medical care/long-term health care for retired law enforcement and firefighters.

The Council currently has a policy that the City retains a 14% reserve fund balance for expenditures.

The City has approximately 185 full time employees. It's important to retain the essential functions that the City of Wenatchee provides.

The Contingent Loan Agreement shows as 7% of general fund expenditure on the 2011 chart, but in 2012 will go up to 10%.

The PFD is meeting operation expenses, and the sales tax rebate it receives is going towards debt payment.

Question (Ron Berschauer): What is the Council looking for from this group?

Mark Kulaas stated that the budget process is a perpetual process. We are entering into a new era. We have a Contingent Loan Agreement that is supporting the PFD. The Council would like to have community input concerning priority of services and considerations for other revenue sources. The Council needs feedback from the public.

Question (Jay Bollinger): What happens if there is a default? Could other municipalities be affected? Can that be used as a bargaining chip to help out?

Answer (Mayor Johnson): Default is not on the agenda currently. With default comes a possibility of lawsuits. The City needs to work diligently to meet the terms of the Contingent Loan Agreement. It needs to look diligently at revenues and expenditures to meet obligations.

Question (Jim Brown): The City is not in default at this point. The PFD has to refinance the Bond Anticipation Notes by December 1st. If they cannot meet that deadline, the PFD will default. The PFD will turn to the City to payment. What are the City's remedies? A reorganization of debt through a Chapter 9 bankruptcy? That would affect bond ratings. How do we solve the problem and maintain a functioning City service? He felt the City should take care of the priorities of City services first, and unfortunately these issues will all come

together at the same time. He believes it will affect the entire region. Need to discuss additional revenue sources, and look at the components of spending. Either go for the revenues, or cut services.

Question (John McDarment): Has the City made a determination at this time on how this should be done?

Answer (Mayor Johnson): Not at this time, the Council would like input from the public on priorities. And the City will keep the pressure on the PFD to find an ultimate resolve. The City has indicated it will not look to the other entities for debt coverage. However, the PFD does have that ability to do so regionally.

Councilmember Mark Kulaas indicated the Council would like to develop some scenarios through a public outreach process and what those scenarios would look like.

Rufus Woods stated that the City needs to take a look at the reality of the situation, both the “best case” and “worst case” scenarios. A graduated approach just softens the issue and is “just kicking the can down the road.” What are the major things to be done that will make it work? What do the spending cuts look like? What are all of the scenarios?

Jim Brown stated the Council could implement a \$20 car tab fee and redirect the lodging tax dollars now which would give the general fund an additional \$1 million. He said the Council will take some heat, but it takes courage to do it.

A suggestion was given that the City needed to be more proactive with communication as the citizens have very little understanding of what’s going on.

As the meeting wrapped up Rufus Woods suggested a small group get together for an analysis of the most effective way for the Council to get the best ideas to move forward.

Ann Deal thanked the Council for holding the meeting and regardless of disagreement of whether it should have been sooner, she was pleased to have it happen.

The Mayor thanked everyone for attending. A follow up meeting will be scheduled.

The meeting ended at 9:00 a.m.

Task Force Members Present:

Alan Beidler, Ron Berschauer, Jay Bollinger, Jim Brown, Bart Clennon, Stewart Cusick, Ann Deal, Eric Ercanbrack, Brian Flones, Steve Jacobs, Frank Kuntz, Tony Lisson, Wayne Loranger, Ken Martin, John McDarment, Sarah Morgan, Heidi Myers, Mike Noyd, Beth Stipe, Mike Walker, Rufus Woods

There were also approximately 25 community members present at the meeting.